

1998 ELECTRONIC FUNDS TRANSFER INFORMATION GUIDE

For Assistance . . .

If you have questions regarding the Electronic Funds Transfer (EFT) program,
please call the EFT Unit between the hours of 8:00 a.m. and 5:00 p.m.,
Pacific Time, Monday through Friday, at:

(916) 654-9130

FAX (916) 654-7441

Or write to the following address:

Attn: EFT Unit, MIC 15
EMPLOYMENT DEVELOPMENT DEPARTMENT
P.O. Box 826880
Sacramento, CA 94280-0001

**Please direct all general tax filing questions to the local
Employment Tax Customer Service Office listed in your telephone directory**

HIGHLIGHTS FOR 1998

• CHANGES FOR ACH CREDIT FILERS

Beginning January 1, 1998, the state's contracted bank for processing EFT transactions will change to Union Bank of California. EFT payments with a settlement date of January 1, 1998, or after, must contain EDD's new bank account number and routing transit number in the entry detail record. The settlement date is the date a payment is credited to EDD's bank account. Transactions containing EDD's old bank account and routing transit numbers will be returned by the state's former bank (Bank of America).

• CHANGES FOR ACH DEBIT FILERS

MAINFRAME / FLAT FILE - Beginning January 1, 1998, ACH debit filers who would like to remit large numbers of tax payments for multiple tax IDs, can elect to electronically transmit batches of payments directly to the state's data collector. **Volumes should typically exceed 1000 payments per transmission.** For additional information concerning this new debit reporting method, call the data collector's Electronic Customer Service Unit at (303) 706-6576. They can assist you with file formats and available transmission protocols.

• REMINDERS FOR ACH DEBIT FILERS

NEW PC SOFTWARE - ACH debit filers who select the personal computer (PC) reporting method, are now required to use a software package that is provided by the state's data collector. Debit filers may order the software package by calling 1-800-332-4125.

WAREHOUSING CAN AFFECT A BANK ACCOUNT NUMBER CHANGE - ACH debit filers who report a payment up to 60 days before its due date (warehousing), **should not** change the bank account number used for debiting until the warehoused payment has cleared the bank. If an account number is changed before a warehoused payment settles, the bank account number that was registered at the time the warehoused payment was reported will be charged, not the new bank account number. This could result in the transaction being returned for insufficient funds, if the old bank account number has been closed or is without funds.

• EFT FILERS WILL NO LONGER RECEIVE DE 88 COUPON BOOKLETS

Effective January 1, 1998, mandatory and voluntary EFT filers who have electronically remitted **all** of their DE 88 payments for quarters 96-3, 96-4, 97-1, and 97-2, will no longer receive DE 88 coupon booklets. However, EFT filers who remit their unemployment insurance and employment training tax payments by coupon will continue to receive DE 88 coupon booklets.

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I. INTRODUCTION

Electronic Funds Transfer (EFT) is a method of instructing financial institutions to transfer money from one account to another electronically, eliminating the use of paper checks. Transfers can be initiated by telephone or through the use of a personal computer with modem.

You may expect to benefit from the reduction of manual paper processing and the errors associated with it when making payments by EFT. EFT filers are not required to file a Report of Contribution (DE 88) coupon for the following:

- Disability insurance (DI) and personal income tax (PIT) deposits
- Unemployment insurance (UI) and employment training tax (ETT) payments
- Self-assessed penalty and interest (P & I) payments

You will also reduce costs, including those associated with check processing, reconciliation and postage, as well as realize a faster response to inquiries regarding the status of your tax payments.

BACKGROUND

Electronic funds transfers have been used for many years by the federal government and private business. Direct deposit of Social Security payments and employees' wages are made through EFT. Many businesses use EFT to pay their suppliers for goods and services.

With the passage of Senate Bill (SB) 467 (Chapter 473, Stats. 1991), California began to administer EFT for state tax payments. SB 467 required the following departments to begin EFT programs for their taxpayers who meet specific criteria for the taxes listed below:

Board of Equalization - Sales and Use Tax

Employment Development Department (EDD) - Disability Insurance and Personal Income Tax Withholdings (DE 88)

Franchise Tax Board - Bank and Corporation Taxes

In 1993, Assembly Bill (AB) 2055 (Chapter 661, Stats. 1993) authorized the California Department of Insurance, (Effective January 1, 1994), to implement EFT in its collection of insurance premium taxes, surplus line broker taxes, retaliatory taxes, and ocean marine taxes.

II. PROGRAM PARTICIPATION

MANDATORY PARTICIPATION

You are required to participate in the EFT program if your average deposit (**per payment**) for DI and PIT is \$20,000 or more for the prior state fiscal year (July 1 to June 30). Mandatory employers **are required** to remit all DI and PIT deposits by EFT for the complete calendar year **regardless of the dollar amount**. Mandatory employers are not required to make UI and ETT payments through EFT, but you may find it much more convenient to do so.

EDD will review each employer's DI and PIT withholding deposits annually, to identify which employers have met the requirement for mandatory EFT filing for the next calendar year. Employers that meet the requirement (for the first time), **will be** notified by October 31, prior to the year of EFT participation. Employers who have met the requirement in the preceding calendar year, **will not** be issued a new notice. If you are notified, but believe you do not meet the requirement, contact EDD's EFT Unit at (916) 654-9130.

VOLUNTARY PARTICIPATION

If you are not identified as a mandatory participant, but would like to voluntarily remit your DI and PIT deposits or your UI and ETT payments by EFT, please contact the EDD's EFT Unit for an Authorization Agreement form (DE 26). When your form DE 26 is approved, we will mail a letter confirming the payment method you selected and provide you the effective date of your participation. Your voluntary status will remain in place until either your status changes to mandatory, or your request for withdrawal is approved.

ALL PARTICIPANTS

EDD taxpayers have the option to voluntarily remit their quarterly UI and ETT payments, and **self-assessed** penalty and interest (P and I) payments through EFT. **If you receive an Employer Account Statement (DE 2176) for penalty and interest due (for any type of assessment), remit your payment by check with the return portion of the DE 2176.**

WITHDRAWAL FROM PARTICIPATION IN EFT

If you are a **mandatory** EFT participant but do not meet the requirement for mandatory participation in the following year, EDD will automatically update your status to voluntary.

Voluntary participants who wish to withdraw from the EFT program must provide a written request to EDD's EFT Unit. A written confirmation of your withdrawal from the program will be mailed to you. If voluntary filers submit a paper coupon and check, they will not be subject to non-compliance penalty.

III. PAYMENT OPTIONS

There are two reporting methods for making EFT payments:

- Automated Clearing House (ACH) debit
- Automated Clearing House (ACH) credit

As their names indicate, both transactions are processed through the Automated Clearing House system.

The differences between the two methods are explained in this section so you can select the payment method you prefer. After you decide on a payment method, you must complete an Authorization Agreement form (DE 26). See the next chapter for more information on how to register for EFT.

AUTOMATED CLEARING HOUSE (ACH) DEBIT

DEFINITION	The ACH debit method allows you to transfer funds by authorizing the state to electronically debit a bank account you control for the amount(s) which you report to the state's data collector.
COST	The state pays the cost for you to <i>report</i> an ACH debit transaction. You will be responsible for the fees, if any, your financial institution may charge you for the <i>actual transfer of funds</i> .
SECURITY	<p>When you complete the EFT registration material, you will provide the bank routing transit number and the specific bank account number you want debited to pay your taxes. Your bank information will be forwarded to the state's data collector for use in the initiation of your payments. You will then receive a temporary, generic security code.</p> <p>When you report your first payment to the data collector, you must change the generic security code 0000 to a four-digit numeric code of your choice (refer to Appendix A for instructions). Follow the system prompts to establish your security code. This will be the security code you use thereafter when reporting your payments. Your security code is not shared with the state of California, and can be changed at any time.</p>
HOW TO REPORT A PAYMENT	You may communicate with the data collector by dialing the toll-free telephone number provided for you, or by personal computer with modem. Refer to page A-7 if you are interested in ordering software for your computer.

You will then report the following information to the data collector:

- Tax Department
- EDD Employer Account Number
- Security Code
- Tax Type Code
- Payroll Date/Quarter End Date
- Fund Amounts
- Total Payment Amount

When you complete the transaction, the data collector will provide a reference number that can be used for tracing your payment. The data collector then initiates the ACH transaction.

Detailed information and a sample script of communication between you and the data collector are provided in Appendix A. For information concerning the use of personal computer with modem, mainframe, and terminal, see Appendix A page A-7.

WHEN TO REPORT A PAYMENT

For an ACH debit transaction to be timely, you must call the state's data collector before 3:00 p.m., Pacific Time, on or before the tax due date for your DI and PIT deposit. (Refer to pages 8-10, Due Dates.) Quarterly DI/PIT deposits and quarterly UI/ETT payments are timely if funds settle into the state's account on the next banking day following the last timely date for the quarter. (Refer to the 1998 quarterly payment chart on page 10, last column.)

You may call the data collector at any time to report your payment. The service is available 24 hours a day year-round. The state's bank requires that calls be completed by 3:00 p.m., Pacific Time, in order to be processed that day and have funds settle into the state's bank account the next banking day. **If you call on the final reporting due date, allow enough time to complete your call by 3:00 p.m., Pacific Time.** Calls that are completed after 3:00 p.m. will be processed the next banking day and will be considered late. See pages 8-10 for more information on reporting due dates.

WAREHOUSING PAYMENTS (OPTIONAL)

You may report payment information to the data collector up to 60 days before the payment due date. If you select this option, you will be prompted for the bank date you wish to have your bank account debited. This is also the date your payment will **settle** into the state's account.

Note: This date also determines the timeliness of your payment. Please verify the timely due date and settlement date for your payment before you call the data collector. If you do not enter a bank date, your settlement date will default to the next bank day (excluding holidays and weekends), providing your call is completed before 3:00 p.m., Pacific Time.

It should also be noted that a bank account number change reported to EDD after a payment has been warehoused will affect which bank account is debited when the warehoused payment settles. The bank account number that was registered at the time the warehoused payment was initiated will be charged, not the new bank account number. This could result in a transaction being returned for insufficient funds if the old bank account has been closed or is without funds.

CANCELLATIONS,
CORRECTIONS,
AND INQUIRIES

You may cancel, correct, or inquire about a reported transaction if you call the data collector before 3:00 p.m., Pacific Time, **the same day the transaction was reported**. You will be given a reference number for cancellation transactions as proof of your cancellation. If you report the wrong information to the data collector and miss the 3:00 p.m. deadline for correcting the entry, you may call EDD's EFT Unit at (916) 654-9130 for assistance.

If a transaction is reported after the 3:00 p.m. deadline, you have until 3:00 p.m. **the following banking day** to cancel, correct, or inquire about the transaction. Report any changes to the data collector.

PRE-NOTE TEST

Following your registration for EFT, EDD, in cooperation with the data collector, will conduct a pre-note (prenotification) test to validate your bank account and routing transit numbers. This is a non-monetary test transaction (zero-dollar) and is conducted prior to your first transaction.

AUTOMATED CLEARING HOUSE (ACH) CREDIT

DEFINITION

The ACH credit method allows you to transfer funds by instructing your financial institution to debit your account and credit the state's bank account.

COST

You must pay any set-up costs charged by your financial institution for each ACH credit transaction initiated. Some financial institutions may also charge monthly fees.

RECORD
FORMAT
REQUIREMENTS

Your financial institution will debit your account and credit the state's bank account through the ACH network. To report your tax payment correctly, your financial institution must originate your payment using the Cash Concentration or Disbursement plus Tax Payment Addendum (CCD+/TXP) format. This standard format has been adopted for tax payments by the National Automated Clearing House Association (NACHA). Check with your financial institution to confirm that they can originate your tax payment using this record format.

HOW TO
REPORT A
PAYMENT

Since your financial institution will originate your payment, contact them for specific procedures to report a tax payment.

At the time you contact your financial institution to report your payment, you must provide them with the filing information required to complete the ACH CCD+/TXP records (such as your payroll date, disability insurance, and personal income tax withheld amounts for a DI and PIT deposit). The free form portion of the TXP Addenda Record, which is completed by your financial institution, must be precisely structured as shown in the TXP Addendum Convention Layout provided on page B-4.

If you choose the ACH credit method, EDD will mail you their EFT bank account and routing transit number. You must provide this information to your financial institution before you report your first payment.

NOTE: Allow at least three weeks for your financial institution to prepare your account for filing by EFT. Your bank will provide you with instructions and/or software that are needed before you can initiate ACH credit transactions.

If you are making payments to more than one California state department, **it is important to note that each tax department has its own bank account number** and requests different information for the “free form area” of the TXP Addendum Record. Although the actual addendum formats for each department may look similar, the information requested is different.

WHEN TO
REPORT A
PAYMENT

An ACH credit transaction is timely if funds settle into the state's account the next banking day following the DI and PIT due date. (Refer to pages 8-10, Due Dates.) Quarterly DI/PIT and quarterly UI/ETT payments are timely if funds settle into the state's account on the next banking day following the last timely date for the quarter. **Note: ACH credit filers may need one additional processing day for their payments to settle timely.** If you are not sure when to initiate your payment, tell your financial institution when your payment **must settle** (refer to the 1998 quarterly payment chart on page 10, last column). Your financial institution will advise you when to initiate your payment.

IV. REGISTRATION

HOW TO REGISTER

To begin remitting your tax deposits by EFT, complete, sign, and submit an Authorization Agreement form (DE 26), to EDD's EFT Unit. Once EDD processes your DE 26, a letter will be sent to you confirming the payment method you have selected. EDD will include the effective date for voluntary participants to begin filing by EFT.

The form DE 26 may be obtained by calling the EFT Unit or by calling the nearest EDD office (Refer to the white pages of your local telephone directory). The form DE 26 is also accessible on the Internet using the EDD Internet address <http://www.edd.cahwnet.gov/>. Return your completed form DE 26 to EDD's EFT Unit.

MANDATORY TAXPAYERS REPRESENTED BY PAYROLL AGENTS

If you have been identified as a mandatory EFT filer, and are represented by a reporting agent, payroll service, or accounting firm, **you are responsible for informing them that you are required to remit your DI and PIT deposits by EFT.** Failure to do so will result in a 10 percent non-compliance penalty with interest on DI and PIT deposits remitted by any payment method other than EFT.

CHANGING FINANCIAL INSTITUTIONS OR PAYMENT METHOD

If you wish to change your bank account number (ACH debit only), or your payment method, please contact EDD at (916) 654-9130. Changes must be reported to EDD at least 5 days prior to your next payment due date. A new form DE 26 must be completed when you make a change. Check the box labeled "Change EFT payment method" **or** "Change bank account" at the top of the form.

CHANGING EMPLOYER STATUS

If you need to make changes to your business status including changes in ownership, business name, mailing address, or telephone number, you must notify EDD's Tax Status and Examination Group by calling (916) 654-7041 or writing to:

Attn: Tax Status and Examination Group, MIC 28
Employment Development Department
P.O. Box 826880
Sacramento, CA 94280-0001

V. GENERAL INFORMATION

CORRECTIONS

If you use the ACH debit payment method and you realize a mistake has been made regarding your tax deposit, the state's bank requires that you call the data collector before 3:00 p.m., Pacific Time, **on the day that you report your payment**. All corrections require a cancellation of your original transaction and re-entry of your correct tax information. Follow the system prompts to cancel your payment. When the cancellation is completed, you will be given a reference number as proof of your cancellation.

If you use the ACH credit method and you realize a mistake has been made, you will need to contact your financial institution for their correction policies.

If your payment transaction has already been processed by your financial institution, you may call EDD's EFT Unit for assistance at (916) 654-9130.

DUE DATES

Tax payment due dates are determined by semi-weekly, monthly, next banking day, or quarterly reporting criteria:

Semi-Weekly Deposits by EFT

When required under Section 6302 of the Internal Revenue Code (IRC) to make deposits of federal income and Social Security (FICA) taxes on the basis of semi-weekly periods, and your accumulated California personal income tax (PIT) withheld at that time is more than \$400, you must also remit all disability insurance (DI) and PIT withholdings to EDD.

A month is divided into semi-weekly periods based on your payroll date. If your payroll date is on Saturday, Sunday, Monday, or Tuesday, your tax due date is the following Friday. If your payroll date is on Wednesday, Thursday, or Friday, your tax due date is the following Wednesday. Deposits **must settle** in the state's bank account on or before the banking day following the tax due date.

If any of the three days after the end of a semi-weekly period is a banking holiday, you will have one additional banking day to make a deposit. For example, if your payroll date is on Friday and the following Monday is a banking holiday, the deposit normally due on Wednesday would be due on Thursday.

Monthly Deposits

When required under Section 6302 of the IRC to make deposits of federal income and FICA tax on the basis of monthly periods, and your accumulated California PIT withheld at that time is more than \$400, you must also remit DI and PIT withholdings to EDD. Monthly deposits to EDD must be remitted by the 15th day of the next month.

If you are not required to make federal monthly deposits under Section 6302 of the IRC, you still are required to make monthly state deposits if your PIT withheld in a month or cumulative of two or more months exceeds \$350. If your state PIT withheld exceeds that amount, you must remit DI and PIT withholdings on or before the 15th day of the next month.

If you are required to report monthly by EFT, you will need to initiate your payment on or before the 15th day of the next month to ensure timely settlement of funds to the state's bank account on the first banking day following the tax due date. If your monthly due date falls on a Saturday, Sunday, or holiday, the due date is extended to the next banking day.

Next Banking Day Deposits

As required under Section 6302 of the IRC, you are required to make next banking day deposits to EDD if, at anytime, you accumulate \$100,000 or more in federal employment taxes **and** accumulate more than \$400 in California PIT.

Next banking day deposits will be considered timely if funds **settle** into the state's account on or before the **third** banking day following your **payroll date**.

A monthly filer that meets next banking day requirements, automatically becomes a semi-weekly depositor for the remainder of the calendar year **and** the following calendar year.

Quarterly Payments

Quarterly DI/PIT Deposits

Quarterly DI/PIT deposits allow employers to make quarter end payments for DI/PIT. Tax type code **01104** should be used to remit any remaining DI/PIT that was not included in previous deposits for the **current** quarter. The code may also be used by employers that withhold less than \$350 in personal income tax for the calendar quarter. Quarterly filers who accumulate \$350 or more in California PIT, in one or more months of a quarter, revert to the monthly schedule and are required to remit their deposit by the 15th of the following month.

Quarterly DI/PIT deposits are considered timely if funds **settle** into the state's account on or before the last **timely settlement date** for the quarter. (Refer to the 1998 quarterly chart on page 10, last column.)

Quarterly UI/ETT Payments

As a result of AB 3086, (The Annual Reconciliation Bill), Unemployment Insurance (UI) and Employment Training Tax (ETT) payments which are due quarterly, are now reported on either the Report of Contributions coupon (DE 88) or electronically by EFT. UI and ETT payments may be remitted as one quarterly payment, or may be remitted throughout the quarter as prepayments.

EFT filers are not required to file a DE 88 coupon for quarterly taxes. However, a Quarterly Wage and Withholding Report (DE 6), must still be filed. (Refer to the 1998 California Employer's Guide (DE 44) for more DE 6 information.)

When reporting your UI and ETT transaction by EFT, remember to enter the UI amount in the first dollar field, the ETT amount in the second dollar field, and the total payment amount in the third dollar field of the ACH debit script or ACH credit TXP addendum record.

The chart below lists the last timely dates for remitting quarterly UI and ETT payments by EFT for filing year 1998. If you use the quarterly prepayment option, your final quarterly deposit for the quarter **must settle** on or before the last timely settlement date for the quarter. (Refer to the chart below, last column.)

NOTE: When your quarterly contribution payment is paid to the department through EFT, the settlement date is used to determine timeliness. ACH credit filers may need one additional processing day for their payments to settle timely. If you are not sure when to initiate your payment, tell your financial institution when your payment **must settle**. They can advise you when to initiate your payment.

1998 QUARTERLY EFT PAYMENT CHART

Reporting Period	Taxes Due	Last Timely Date (Initiate on or before)	Timely Settlement Date
Jan., Feb., Mar.	April 1	April 30	May 1
Apr., May, Jun.	July 1	July 31	August 3
July, Aug., Sep.	October 1	November 2	November 3
Oct., Nov., Dec.	January 4	February 1	February 2

EMERGENCIES

Your EFT payments may be made by Fedwire **if** your payment will not settle timely by the ACH debit or ACH credit method. You must notify the EFT Unit **before** you initiate a Fedwire. **For Fedwire notification, contact the EFT Unit at (916) 654-9130.**

You will receive information concerning initiation and receiving fees, which **you are responsible for**. In addition, the EFT Unit will fax you a Wire Transfer Payment Request, complete with payment information you provide over the telephone, for the initiation of your Fedwire. The request sheet should be forwarded to your financial institution for initiation.

You can remit more than one payment by Fedwire. However, each payment must be initiated as a separate Fedwire transaction with separate initiation and receiving fees.

If you make a Fedwire payment and you realize a mistake, you must contact your financial institution on the same day for their correction procedures.

FAILURE TO
SUBMIT
DEPOSITS BY
EFT

If you are subject to the EFT requirement and remit a DI/PIT deposit by other methods such as check or cash, a **penalty of 10 percent** of the tax deposit amount **plus interest** will be charged. Penalty may be waived for good cause.

FAILURE TO PAY
TIMELY

If an EFT transaction does not settle timely a **penalty of 10 percent** of the tax payment amount plus interest will be charged. Penalty may be waived for good cause.

PENALTY AND
INTEREST

If you fail to remit a DI/PIT deposit by the due date **or** a UI/ETT payment by the last timely date, and you determine that late penalty and interest are due, you may make your **self-assessed** penalty and interest (P and I) payment by EFT. **If you receive an Employer Account Statement (DE 2176) for penalty and interest due (for any type of assessment), remit your payment by check with the return portion of the DE 2176.** The instructions for computing **self-assessed** penalty and interest are shown on pages 12-13.

If you plan to report a late tax payment, **and** wish to pay your **self-assessed** penalty and interest in advance, you must initiate **two** separate transactions:

- ACH debit filers may complete the two transactions with one telephone call to the state's data collector. At the end of your tax payment transaction, follow the system prompt to continue with EDD. When the new prompts begin, give the tax information for your penalty and interest payment.
- ACH credit filers will initiate a tax payment transaction **and** a penalty and interest transaction.

Be sure the payroll date/quarter end date on your penalty and interest payment reflects the *original* payroll date/quarter end date for the late payment you are paying, and not the *current* payroll date/quarter end date.

When you report an EFT **self-assessed** penalty and interest payment, be sure to report the penalty amount in the **first dollar field**, the interest amount in the **second dollar field**, and the total payment amount in the **third dollar field** of the ACH debit script or ACH credit TXP addendum record.

COMPUTING
PENALTY AND
INTEREST FOR
LATE PAY-
MENTS

Compute your penalty and interest as follows: (See page 13 for sample P and I computation)

Step 1 PENALTY - Multiply your total payment amount by 10 percent. This is the PENALTY amount you owe. Report this amount in the first dollar field of the ACH debit script or ACH credit addendum record.

Step 2 Total the payment amount and the penalty amount.

Step 3 Determine the number of days late.

Count the number of days from (including) the **timely settlement date** through **your settlement date (late)**. This is the NUMBER OF DAYS LATE.

Step 4 Multiply the total in Step 2 by the daily interest factor.

The interest rate is adjusted semi-annually on January 1 and July 1 of each year. The semi-annual interest rate and corresponding daily interest factor are published in the California Employer. The California Employer is issued quarterly, and is included with the quarterly mailing of your Quarterly Wage and Withholding Report (DE 6). If you do not know the current interest rate and/or daily interest factor, contact your local Employment Tax Customer Service Office. Refer to the current California Employer's Guide (DE 44) for a complete listing of Employment Tax Customer Service Offices.

Step 5 INTEREST - Multiply the amount from Step 4 by the number of days late. This is the INTEREST amount. Report this amount in the second dollar field of the ACH debit script or ACH credit addendum record.

Step 6 TOTAL PENALTY AND INTEREST DUE - Add the penalty amount (step 1), and the interest amount (step 5). The total is the TOTAL DUE for your Penalty & Interest payment. Report this amount in the third dollar field of the ACH debit script or ACH credit addendum record.

SAMPLE
PENALTY AND
INTEREST
COMPUTATION

Below is an **example** of how to compute penalty and interest for a late DI/PIT semi-weekly deposit. **Use your own information and the current semi-annual interest rate and corresponding daily interest factor**, when computing your tax payment. This example may also be used for UI/ETT payments that are remitted after the last timely date for the quarter.

Payroll Date:	Friday, January 2, 1998
Due Date:	Wednesday, January 7, 1998
Timely Settlement Date:	Thursday, January 8, 1998
Your Settlement Date (Late):	Friday, January 16, 1998
DI Amount:	\$120.00
PIT Amount:	<u>\$600.00</u>
TOTAL Amount:	\$720.00

Step 1 COMPUTE PENALTY AMOUNT $\$720.00 \times .10 = \72.00

Step 2 ADD THE TOTAL AMOUNT+ PENALTY
 $\$720.00 + \$72.00 = \$792.00$

Step 3 Count the number of days from (including) the timely settlement date (January 8,1998), through the late settlement date (January 16,1998). The number of days late = 9.

Step 4 DETERMINE THE DAILY INTEREST FACTOR
Multiply the total from step 2 x the daily interest factor
 $\$792.00 \times .000247 = \$.20$

Step 5 COMPUTE INTEREST DUE
 $9 \times \$.20 = \1.80

Step 6 COMPUTE TOTAL PENALTY AND INTEREST DUE
 $\$72.00 + \$1.80 = \$73.80$

If you need assistance, call the EFT Unit at (916) 654-9130.

REFUNDS

Refunds will not be issued electronically through the ACH network. Existing procedures for refunds will be followed.

TRACING AN
EFT
PAYMENT

On occasion, it may be necessary to trace a tax payment - that is, to establish that a tax payment was reported to the data collector (ACH debit) or was originated by a financial institution (ACH credit). Prior to EFT, we would normally ask for a copy of a canceled check to establish that the payment was made. However, under EFT you will no longer have a canceled check.

For all payment methods, your proof of payment is the account statement from your financial institution showing the actual transfer of funds from your account into the state's bank account. The reference number (ACH debit) does not constitute proof of payment. The reference number will only assist the data collector in locating your data transmission.

WEEKENDS
AND
HOLIDAYS

When calculating your semi-weekly due date, consider the following banking holidays as recognized by the State of California. The recognized holidays are:

New Year's Day January 1
Martin Luther King, Jr. Day Third Monday in January
Presidents' Day Third Monday in February
Memorial Day Last Monday in May
Independence Day July 4
Labor Day First Monday in September
Columbus Day Second Monday in October
Veteran's Day November 11
Thanksgiving Day Fourth Thursday in November
Christmas Day December 25

If the due date for your DI/PIT deposit, **or** the last timely date for your quarterly DI/PIT or UI/ETT payment falls on a Saturday, Sunday, or banking holiday, the due date and the last timely date are extended to the next banking day.

The extended due date also applies to **semi-weekly payments** when any of the three weekdays following the end of a payroll date series is a banking holiday (refer to the calendar example below).

JANUARY 1998

S	M	T	W	T	F	S
4	5	6	7	8	9	10
11	12	13	14	15	16	17

EXAMPLE: A semi-weekly payment with a payroll date series of Wednesday, Thursday, or Friday (7th-9th), has a due date of the following Wednesday (14th). If any of the three shaded weekdays following the end of the payroll date series is a banking holiday, the due date is extended to the next banking day (15th).

VI. APPENDIX A ACH DEBIT INSTRUCTIONS

ACH DEBIT INSTRUCTIONS

The following pages explain what information you will need before you report your EFT tax payment transaction. We have provided a script of telephone prompts you will be given during your call to the data collector.

BEFORE YOU CALL

The following information is needed before initiating your ACH debit transactions:

- 1) **Employer Account Number** - This is your taxpayer identification number.
- 2) **Security Code** - After you have registered to make ACH debit payments, you will receive a temporary generic security code. When you report your first payment, you must change your generic security code "0000" to your own confidential four-digit numeric code by calling the data collector at 1-800-554-7500. Follow the prompts to establish your own security code. Thereafter, you must use your confidential security code when initiating your payments. You may change your security code at any time.

If you have lost or forgotten your selected security code, an authorized person must call EDD at (916) 654-9130 to have the code reestablished to the generic number. After your security code has been reestablished, use the generic security code for entry into the data collector's system. Follow the prompts to establish your own security code.

- 3) **Tax Type Code** -

SECURITY CODE

The Employment Development Department does not have access to your bank account without your authorization. The debit process can only be initiated by a unique security code that you create. Funds can only be transferred to the state's bank account for specific tax types and dollar amounts at your request.

DI/PIT Deposits

- 01100 — Semi-weekly deposit
- 01101 — Monthly deposit
- 01102 — Next banking day deposit
- 01104 — Quarterly DI and PIT deposit

UI/ETT Payment

- 01300 — Quarterly U I and ETT payment

Self-Assessed Penalty/Interest

- 20000 — Self-assessed P and I payment

4) **Tax Date -**

- For semi-weekly, monthly, or next banking day deposits (DI/PIT), indicate your **payroll date** as MMDDYY.
- For quarterly DI/PIT deposits and quarterly UI/ETT payments, indicate **your quarter end date** as MMDDYY.
- For P and I payments, indicate your **payroll date** as MMDDYY (DI and PIT), **or** your **quarter end date** as MMDDYY (UI and ETT).

5) **Amounts for -**

- DI and PIT
- UI and ETT
- P and I

The operator will prompt you for taxes based on the tax type code you have entered. The total tax amount must equal the total of the two taxes you are paying. **Credit amounts are not accepted.**

- 6) **Warehouse Debit Date** - If you select the option to report a payment up to 60 days before its due date (Warehouse), you must report the date (bank day) you wish to have your bank account debited (Warehouse debit date). This is also the date your payment will settle into the state's account.

Note: This date determines the timeliness of your payment. Please verify the timely due date and settlement date for your payment before you call the data collector.

- 7) **Verification Code** - This code is a mathematical calculation that will help to ensure the accuracy of the amounts being remitted. Your calculated Verification Code must equal the system generated Verification Code calculated by the data collector for the transaction to be completed. Note: Calculation of the Verification Code will not identify transposed numbers. The calculation is as follows:

Example: Assume a tax payment of \$75,150.55

a) Total all digits in the tax payment:

$$7 + 5 + 1 + 5 + 0 + 5 + 5 = 28$$

b) Count the number of digits in your tax payment:

$$7, 5, 1, 5, 0, 5, 5 = 7$$

c) Add a + b. In this example, the Verification Code is:
35 (28 + 7)

TELEPHONE
SCRIPT**Items to remember:**

- Press the pound sign (#) after each entry.
- After the data is repeated, press (#) if correct, or (*) if incorrect.
- Do not add dollar signs or decimals. If no tax amount is due, enter 0 (Zero).
- Press the star (*) key three times at any time during the recording, to transfer to an operator.
- The generic security code 0000 must be used when reporting your first payment after confirmation of your ACH debit registration.
- If you make three errors during a payment transaction, the system will automatically refer you to an operator.

Call 1-800-554-7500

1. System: WELCOME TO THE CALIFORNIA EFT SYSTEM. If you are calling from a touch-tone phone, please press 1 now. If you have a rotary phone, please hold the line for operator assistance.
- Caller: **Press 1 and #, or hold for operator assistance.**

2. System: To expedite your call, please press the pound sign (#) after each entry and after the system repeats your entry. If your entry, or what you hear is NOT correct, press the star key (*) and the system will reprompt that field. At any time during the recording, you may press the star key (*) three times to transfer to an operator.

3. System: For BOE, press 1. **For EDD, press 2.** For FTB, press 3. For CDI, press 4, for PERS, press 5, and for SCO, press 6.
- Caller: **Press 2 and #.**

California State Agency Acronyms:

- BOE - Board of Equalization
- EDD - Employment Development Department
- FTB - Franchise Tax Board
- CDI - California Department of Insurance
- PERS - Public Employee's Retirement System
- SCO - State Controller's Office

Continue on next page

Continue
TELEPHONE
SCRIPT

4. System: To report a tax payment, press 1.
To perform a cancellation or inquiry, press 2.
To change a security code, press 3.
Caller: **1# Proceed with prompt #5.**
2# Hold for operator assistance.
3# Proceed with prompts #5 and 6 + enter the new security code.
5. System: Enter your 8-digit EDD Employer Account Number.
Caller: - - - - - and press #.
6. System: Enter your Security Code.
Caller: - - - - and press #.
7. System: Enter your Tax Type Code.
Caller: - - - - - and press #.
- DI/PIT Deposits:**
- **01100** — for semi-weekly deposit
 - **01101** — for monthly deposit
 - **01102** — for next banking day deposit
 - **01104** — for **quarterly** DI/PIT deposit
- UI/ETT Payments:**
- **01300** — for **quarterly** UI/ETT payment
- Self-Assessed Penalty/Interest:**
- **20000** — for self-assessed P and I payment
8. System: Enter your Payroll Date/Quarter Ending Date.
Caller: - - - - - and press #.

For semi-weekly, monthly, next banking day, and self-assessed penalty and interest payments, use the **payroll date**. Indicate the date as MMDDYY.

For quarterly DI/PIT and UI/ETT payments, use the **quarter ending date**. Valid dates are March 31, June 30, September 30, or December 31. Indicate the date as MMDDYY.

Continue on next page

Continue
TELEPHONE
SCRIPT

9. System: Enter your:
Disability insurance amount - for tax type codes 01100, 01101, 01102, or 01104.
Unemployment insurance amount - for tax type code 01300.
Penalty amount - for tax type code 20000.
 Caller: \$ _____ and press #.
 (Include dollars and cents)
10. System: You entered _____ dollars and _____ cents.
Press # to accept, or * to correct and reenter.
11. System: Enter your:
Personal income tax amount - for tax type codes 01100, 01101, 01102, or 01104.
Employment training tax amount - for tax type code 01300.
Interest amount - for tax type code 20000.
 Caller: \$ _____ and press #.
 (Include dollars and cents)
12. System: You entered _____ dollars and _____ cents.
 Caller: **Press # to accept, or * to correct and reenter.**
13. System: Enter your total payment amount.
 Caller: \$ _____ and press #.
 (Include dollars and cents)
14. System: You entered _____ dollars and _____ cents.
 Caller: **Press # to accept, or * to correct and reenter.**
15. System: Enter your Verification Code.
 Caller: - - and press #.

Note: Refer to page A-2 for instructions.

Continue on next page

Continue
TELEPHONE
SCRIPT

16. System: Enter the date you would like your bank account debited (MMDDYY).
- NOTE: THIS STEP IS OPTIONAL.** If you do not wish to warehouse your payment, press #, (do not enter a date). Your payment will automatically settle into the state's account on the next bank day (excluding holidays and weekends), providing your call is completed before 3:00 p.m., Pacific Time.
- Caller: - - - - - and press #.
17. System: You entered (month) (day) (century) (year)
Press # to accept, or * to correct and reenter.
18. System: Tax report accepted. Your Reference Number is _____. Repeating, your reference number is _____. Please record this number for your records.
19. System: To disconnect, press 1.
To continue with additional functions, press 2.
- Caller: **Press 1 and #.**
Thank you for using the California EFT System.
- Press 2 and #.**
Return to step #3.

PERSONAL
COMPUTER (PC)
AND TERMINAL

Upon request, the state's data collector will provide a software package to ACH debit filers as another method of initiating an EFT payment. The software package is supplied on an individual basis and can be ordered by calling **1-800-332-4125**. Each order will be handled as received and mailed to the taxpayer.

NOTE: The PC input method is not recommended for users that report less than ten payments at a time. The touch-tone method is typically more time efficient for reporting fewer payments.

The minimum requirements to run this application are as follows:

- Intel-compatible PC with a 386SX processor and a minimum of 4MB RAM (486 or higher with 8MB RAM is the preferred hardware).
- MS Windows version 3.1, Windows '95, or Windows NT 4.0.
- Hayes-compatible modem with a minimum capacity of 14.4 baud rate.
- A minimum of 7MB of available hard drive disk space.

MAINFRAME

ACH debit filers who report large numbers of payments for multiple tax IDs can electronically transmit batches of payments directly to the state's data collector. **Volumes should typically exceed 1000 payments per transmission.** For assistance with file formats and transmission protocols, call the data collector's Electronic Customer Service Unit at (303) 706-6576.

APPENDIX B

ACH CREDIT INSTRUCTIONS

ACH CREDIT INSTRUCTIONS

Your financial institution can tell you if any special equipment is required to report a payment.

ACH credit transactions must be transmitted in the NACHA approved Cash Concentration or Disbursement plus Tax Payment Addenda (CCD+/TXP) format. The following page lists the NACHA record formats. Each format has technical information needed by your financial institution and the state to process your ACH credit payment. **If you choose the ACH credit method, please give your financial institution a copy of pages B-2 through B-6.**

BEFORE YOU INITIATE YOUR PAYMENT

Please refer to page B-4 for the TXP Addendum convention record format. This represents the layout of the information your financial institution will transmit with your tax payment. The information below will assist you in providing your financial institution everything needed to complete the record.

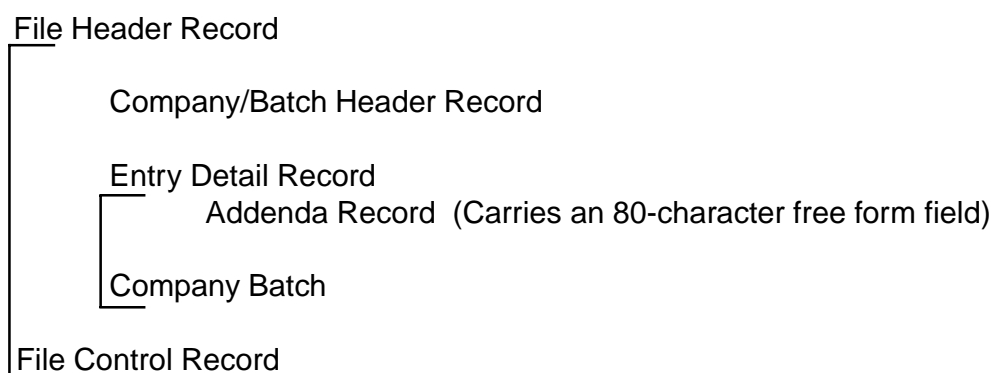
1. **Taxpayer ID#** — This is your eight-digit EDD employer account number.
2. **Tax Type Code** —
DI/PIT Deposits
 - **01100** — Semi-weekly deposit
 - **01101** — Monthly deposit
 - **01102** — Next banking day deposit
 - **01104** — Quarterly DI/PIT deposit**UI/ETT Payment**
 - **01300** — Quarterly UI/ETT payment**Self-Assessed Penalty/Interest**
 - **20000** — Self-assessed P and I payment
3. **Tax Date** —
 - For semi-weekly, monthly, or next banking day deposits (DI/PIT), indicate your **payroll date** as YYMMDD.
 - For quarterly DI/PIT deposits and quarterly UI/ETT payments, indicate your **quarter end date** as YYMMDD.
 - For P and I payments, indicate your **payroll date** as YYMMDD (DI/PIT), or your **quarter end date** as YYMMDD (UI/ETT).
4. **Amounts for** —
 - DI and PIT
 - UI and ETT
 - P and I

The total tax amount must equal the total of the two tax types you are paying. **Credit amounts are not accepted.**

INFORMATION FOR YOUR FINANCIAL INSTITUTION

NACHA RECORD FORMATS FOR CCD+ ENTRIES

National Automated Clearing House Association record formats for CCD+ entries flow in the following order:



For more specific information on NACHA formats, specifications and definitions, you may refer to the NACHA rule book. You may obtain a copy of the NACHA rule book from your financial institution or Calwestern Automated Clearing House Association at (415) 871-8762.

CCD+ TRANSACTION ENTRY DETAIL RECORD

FIELD	DATA ELEMENT NAME	CONTENTS	LENGTH	POSITION
1	Record Type Code	"6"	1	01-01
2	Transaction Code	Numeric	2	02-03
3	* Receiving DFI Identification	"12200049"	8	04-11
4	Check digit	"6"	1	12-12
5	** DFI Account Number	Alpha Numeric	17	13-29
6	Amount	\$\$\$\$\$\$\$cc	10	30-39
7	***Taxpayer ID #	Numeric	15	40-54
8	Individual Name	Your Business Name	22	55-76
9	Discretionary Data	Alpha Numeric	2	77-78
10	Addenda Record Indicator	Numeric	1	79-79
11	Trace Number Indicator	Numeric	15	80-94

* Fields 3 and 4 contain the routing transit number for EDD's bank. The bank's name and address is: **Union Bank of California, P.O. Box 24512, Oakland, CA 94623-1512.**

** This field contains EDD's bank account number.

*** This field contains your EDD eight-digit employer account number.

TAX ADDENDUM CONVENTION

FIELD	FIELD NAME	LENGTH	CONTENTS
	Segment Identifier		TXP
	Separator		*
1	Taxpayer ID#	8	XXXXXXXX
	Separator		*
2	* Tax Type Code	5	XXXXX
	Separator		*
3	Date	6	YYMMDD
	Separator		*
4	Amount Type	1	T
	Separator		*
5	Amount	1-10	\$\$\$\$\$\$\$cc
	Separator		*
6	Amount Type	1	T
	Separator		*
7	Amount	1-10	\$\$\$\$\$\$\$cc
	Separator		*
8	Amount Type	1	T
	Separator		*
9	Amount	1-10	\$\$\$\$\$\$\$cc
	Separator		*
10	Taxpayer Verification #	1-6	XXXXXX
	Terminator		\

*** Disability Insurance and Personal Income Tax Withholdings**

01100 - Semi-Weekly Deposit
 01101 - Monthly Deposit
 01102 - Next Banking Day Deposit
 01104 - Quarterly DI/PIT Deposit

Unemployment Insurance and Employment Training Tax

01300 - Quarterly UI/ETT Payment

Self-Assessed Penalty and Interest

20000 - Penalty and Interest Payment

The information noted in the **contents** column of Fields 4, 6, and 8 is constant information, and must be included in the TXP Addendum Record.

DESCRIPTION OF THE TXP RECORD FIELDS

Field #	Description
1	This field contains the taxpayer's EDD account number. Do not add hyphens or spaces between numbers.
2	<p>This field contains the code for the type of payment being made. Use one of the following codes:</p> <p>01100 for semi-weekly deposits</p> <p>01101 for monthly deposits</p> <p>01102 for next banking day deposits</p> <p>01104 for quarterly DI/PIT deposits</p> <p>01300 for quarterly UI/ETT payments</p> <p>20000 for self-assessed penalty and interest payments</p>
3	<p>This field contains the tax date for which the taxpayer is remitting.</p> <p>For semi-weekly, monthly, next banking day, and self-assessed penalty and interest payments, use the payroll date. Indicate the date as YYMMDD.</p> <p>For quarterly DI/PIT deposits and quarterly UI/ETT payments, use the quarter ending date. Valid dates are March 31, June 30, September 30, or December 31. Indicate the date as YYMMDD. (Example: 980331 for the first quarter.)</p>
4	This field contains the amount type "T" for the first amount.
5	<p>This field contains the first dollar amount being remitted. Do not add dollar signs or decimals. If no tax amount is due, enter 0.</p> <p>For tax type codes 01100, 01101, 01102, or 01104, enter your disability insurance amount.</p> <p>For tax type code 01300, enter your unemployment insurance amount.</p> <p>For tax type code 20000, enter your penalty amount.</p>

Continue on next page

DESCRIPTION OF THE TXP RECORD FIELDS

<u>Field #</u>	<u>Description</u>
6	This field contains the amount type "T" for the second amount.
7	<p>This field contains the second dollar amount being remitted. Do not add dollar signs or decimals. If no tax amount is due, enter 0.</p> <p>For tax type codes 01100, 01101, 01102, or 01104, enter your personal income tax withholding amount.</p> <p>For tax type code 01300, enter your employment training tax amount.</p> <p>For tax type code 20000, enter your interest amount.</p>
8	This field contains the amount type "T" for the total amount.
9	This field contains the total dollar amount of the remittance. Do not add dollar signs or decimals.
10	This field is reserved for EDD's use; blank or zerofill.

*Below is an **example** of a record transmitted for an EDD tax payment:*

705TXP*11111111*01100*980520*T*0000459204*T*0000960185*T*0001419389*000000\

APPENDIX C GLOSSARY OF TERMS AND ACRONYMS

GLOSSARY OF TERMS AND ACRONYMS

ACH	Automated Clearing House (ACH) means any Federal Reserve Bank or other entity that operates as a clearing house for electronic debit or credit entries pursuant to an agreement with an association which is in turn, a member of the National ACH Association.
ACH Credit	The ACH credit is one means by which monies are transferred electronically through the automated clearing house (ACH) network in lieu of paper checks. ACH credit means an ACH transaction in which the taxpayer, through its own bank, originates an entry crediting the state's designated bank account and debiting its own bank account for the amount of the tax payment.
ACH Debit	The ACH debit is the converse of ACH credit. ACH debit means an ACH transaction in which the state, through its depository bank, originates an ACH transaction debiting the designated taxpayer's bank account and crediting the state's bank account for the amount of the tax payment.
CCD+	Cash Concentration or Disbursement Plus Addenda (CCD+) is a standard entry class of ACH credit or debit. The TXP addendum format has been selected by NACHA and Federation of Tax Administrators (FTA) as the optimum format for nationwide implementation of EFT TAX COLLECTION.
Data Collector	The Data Collector is responsible for collection of the taxpayer's payment information for ACH debit transactions. Taxpayer information may be collected by telephone, personal computer, or mainframe communication methods.
EFT	Electronic Funds Transfer (EFT) is a term which identifies delivery systems used to transfer payments or funds electronically. The term, Electronic Funds Transfer, means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is normally initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape, so as to order, instruct, or authorize a financial institution to debit or credit an account.
Fedwire	A wire transfer system provided by the Federal Reserve System and used generally to transfer large dollar amounts instantaneously.

FRB	The Federal Reserve Bank (FRB) or the central banking system of the United States, consists of twelve regional reserve banks and those member depository institutions that are subject to reserve requirements.
INITIATION DATE	The date an EFT filer instructs a financial institution or the state's data collector to process a transfer of funds. The initiation date is usually the bank day preceding the settlement date. The initiation date for ACH debit transactions is one bank day before the settlement date, providing the transaction is completed before 3:00 p.m., Pacific Time. The initiation date for ACH credit transactions can vary, based on individual bank process times.
NACHA	The National Automated Clearing House Association (NACHA) is the association that establishes the standards, rules and procedures that enable depository financial institutions to exchange ACH payments on a national basis.
Pre-Notes	A zero-dollar entry sent through the ACH network to verify banking information. If a pre-note (prenotification) is processed, it must be done at least 10 calendar days before an EFT payment is initiated.
Reference Number	A number provided by the data collector to callers using the ACH debit payment method. Given after a caller has provided information needed to report a payment, the reference number indicates the date the payment was reported and can be used to aid the data collector in tracing a payment. Reference numbers may also be used in Fedwire transactions.
Settlement Date	The date an exchange of funds with respect to an entry is reflected on the books of the Federal Reserve Bank(s).
TXP	The Tax Payment (TXP) Banking Convention Record Format which contains the data format, content, and implementation suggestions for corporations to originate tax payments via the ACH. The convention is to be used with the NACHA CCD+ application. The TXP convention provides a method of paying taxes electronically when the corporation (taxpayer) chooses to initiate an ACH credit to the collecting government entity.
WAREHOUSING	The reporting and electronic storage of ACH entries up to 60 days before a payment due date. The entries are transferred at a predetermined settlement date reported by the initiator (taxpayer).

NOTES